

Auditing and Balancing a 3-Statement Model

Module 6: Balance Sheets are Cumulative

Term	Definition
Balance Sheet Accumulation	The principle that all accounts on a balance sheet, such as retained earnings and cash flows, should accumulate year over year.
Corkscrew Schedules	A structured method in financial modeling where accounts like PP&E and deferred taxes are calculated using beginning balances, changes, and ending balances.
Ctrl+[	Excel shortcut to trace precedents and identify the cells referenced by the active cell.
Deferred Tax Liability	A balance sheet account that accumulates deferred taxes over time, often managed using corkscrew schedules.
Ending Balance References	The practice of ensuring that all balance sheet accounts reference the ending balance of the relevant period.
F5 Shortcut	Excel shortcut to open the Go To menu, which can also be used to return to a previously selected cell.
PP&E Schedule	A corkscrew schedule used to manage property, plant, and equipment balances by accounting for CapEx, depreciation, and changes over time.
Revolving Credit Line (RCL)	A flexible line of credit on a balance sheet that allows borrowing up to a pre-approved limit.
Sanity Check	A quick validation process to ensure that financial model figures make logical sense, such as verifying balances and totals.

Use of Ending Balances

The practice of consistently using ending balances for balance sheet accounts to ensure accuracy in financial models.
